A. Taking a property from being empty to being full of families is a challenge that requires hard work, dedication and resiliency. It’s important that the staff overseeing a lease up is focused. This means they must have a goal for occupancy each month. Therefore, the first thing a manager or assistant manager should do is to talk with the Regional or District Supervisor to understand what the expected growth in occupancy and revenue is as stated in the budget. The budget is usually conservative and management staff should expect to surpass the assumptions used by the budget. Then, the staff should set their own internal goals which should surpass that of the budget.

B. For example, Julie becomes manager of Canterbury Apartments, a new 200 unit apartment community. The budget states that the complex will grow 12 units per month and that the complex will be full in 17 months. Julie, knowing she can grow the complex faster than 12 units per month, sets a goal of 15 units per month growth with expectations she will be 100% full after 14 months.

Section 4.2 Marketing for a new lease up

A. A good marketing plan and execution of this plan is monumentally important for a new project to be successful. A new development’s marketing plan should include, but not be limited to the following:

1. Newspaper ad every day the local paper runs. If the cost is excessive for the newspaper ad, then the ad can be run 3-5 days per week instead of 6-7 days per week.
2. Ad in local apartment guide.
3. Cold calling local businesses and homes by handing out flyers or brochures. One to two marketing periods per week (2 hour periods) should be completed and at least 30 flyers should be handed out for each period.
4. Open houses should be completed and these should be coordinated with the cold calling so that the flyer describes the open house scheduled a few days in the future. A property can have 3-5 open houses.
5. Schedule the grand opening when the project is close to construction completion. This event should include members of Herman and Kittle Properties, investors, bankers, chamber of commerce members, not-for-profits and allow for marketing of the site.
6. Join the local chamber of commerce. Have the chamber write an article about the new property in their newsletter and provide “key and ribbon cutting” supplies for the grand opening.
7. Call the local newspaper and send them a “ghost written article” which describes the property and amenities offered. They will usually print the article in their paper for free. Another option is to call them and have them come out to write an article about the property. Usually, you want this article to be printed near the end of construction completion.
8. Brochures should be started for the property six months before the first CO (certificate of occupancy) is received. Brochures should be ready to be distributed at least 3 months before the first building CO is received.

9. Secondary newspapers or publications: it is also helpful to advertise in the local college newspaper, a second news publication or small publications in nearby local towns within 20-50 miles.

10. Implement aggressive marketing to the local HUD office which distributes section 8 vouchers. Visits to the office to inform them of our property characteristics, dropping off brochures and developing a positive rapport with the office staff is very important and helpful to increase applicants coming to the property.

B. The manager of each new development should review their budget and write down the marketing plan for the property. Typically, a property has between $500-1,500 per month for its marketing/advertising plan.

Section 4.3 Leasing

A. An enthusiastic leasing presentation is pivotal to maximize growth of any new property. Greeting new prospects with a smile, a firm handshake and an enthusiastic presentation of the property must be achieved. Consult the chapter in this manual titled “Leasing” for more information. Closing on prospects and setting up move-in dates allows for more move-ins and a higher probability of hitting established goals.

B. Keep in mind that one of the important goals for any new tax credit/affordable housing apartment community is to completely qualify the property. This means you need to have a qualified move-in for all tax credit units. Once all units have had a qualified resident move-into the complex, the buildings can receive tax credits on those units.

C. Furthermore, it is important to understand that tax credits are received on a building-by-building basis which means it is helpful to fill each building as quickly as possible.

Section 4.4 Applications

A. It is imperative that applications are processed quickly once they have been received from an applicant. It is challenging to find qualified families to rent the apartments and it would be self-defeating not to process these valuable applications once received. This means all verifications and compliance paperwork must be completed as soon as the application is received. Management staff should process applications (verifications and all compliance work) in 3-7 days unless a difficult verification delays completion and then completion should be no more than 2 weeks (as a self affidavit is allowable after 2 weeks).

B. Management staff should be meeting with construction staff on the following schedule:

- 90 days before the first apartment building CO
- 60 days before the first apartment building CO
- 30 days before the first apartment building CO
- Week of first apartment building CO
- Meeting once weekly after the first apartment building CO is received

C. There has to be excellent communication between the construction staff and management staff. The construction department can revise their construction
schedule at anytime, which affects when management staff can move applicants into units. Consequently, management staff needs to confirm when construction intends to deliver units to management and then it is the management staff’s obligation to inform the construction staff what units have move-ins scheduled so that they know there is urgency to deliver these units on time. The only way to alleviate problems is for both departments to communicate each week as to possible delays by construction and for management to inform the construction staff of intended move-ins so they can ensure the units are ready.

D. Many times, managers have scheduled move-in dates with prospects without talking to the construction department. If the prospect gives move-out notice to their current landlord intending to move-in to our new property on the date discussed with our management staff, then that landlord may rent their apartment for the next day after they move-out. If the construction department then tells management that they will not have units ready as planned on the construction schedule because of a problem, then management will have applicants scheduled to move-in to units that cannot be lived in. If the applicant cannot get an extension from their current landlord (the apartment is already re-rented), then management is caught without any solution to this problem and will end up losing the applicant or making them upset.

E. Once the application has been processed and ready for move-in and construction has been consulted as to concrete move-in dates, call the applicant and schedule a move-in date to prevent that prospect from renting somewhere else.

Section 4.5 Construction turnover of units to property management

A. When construction finishes building an apartment building, they will have an inspection with the local building inspector to obtain CO’s. Then, property management will inspect all units in the building to make sure it is ready for a new resident. The inspection process should proceed as follows:

1. First inspection by property management
2. Construction takes one week to fix all deficiencies
3. Second and final inspection is completed (no items can be added to the original list)

B. Keep in mind, once construction turns over a unit to property management, it becomes property management’s unit and construction is not expected to come back into the unit to fix anything, even if the unit was not completed by construction.

C. Therefore, it is extremely important that property management inspects the unit thoroughly the first time and writes down any deficient items that are found. No more than 3 items per unit should be expected during a property management inspection as the expectation should be that the unit has already been inspected by construction and they know it does not require any further work. If many more than 3 items are found, then the unit should be declared unfit for inspection and the inspection should cease until construction completes 100% of all needed work so that the unit is ready for move-in. The regional and or property management department head and construction project manager should be informed of inspections which had to be discontinued because of unfit units. Construction should reschedule inspections with 48 hours notice instead of conducting inspections on unfit units.

D. The quality of the unit delivered to property management should be of high workmanship quality. Property management is the client of the construction department. It should be expected that we would not accept inferior quality
constructed units anymore than if our internal construction department were a third party, independent firm. We can reject units for poor quality and this should occur if the quality of any units is not up to acceptable standards. Consult your supervisor for more details or with questions.

E. Finally, it should be understood that ALL deficiencies need to be listed at the first inspection for a property. This means this inspection must be thorough. No deficiencies can be added to the list after the first inspection even if construction should have completed other items that were not noticed during the first inspection.

1. If there are major defects that were not noticed on the first inspection and these cannot be resolved between the two inspecting personnel, then the issue should be brought to their superiors for resolution.

Section 4.6 Schedules and hiring property personnel

A. The Manager should be hired at least 2 months before the first apartment building CO is received. The Assistant Manager should be hired within 1-2 months of the first apartment building CO being received depending upon the amount of demand for the apartment units.

B. Construction is expected to deliver the clubhouse for property management use 2 months before the first apartment building CO.

C. The Maintenance Technician should be hired by property management when the first apartment building CO is received. The Maintenance Technician will then become an employee of construction and will help them complete the buildings while performing whatever property management maintenance comes up during the final stages of the construction schedule. When construction leaves the site, the Maintenance Technician then becomes a property management employee under the supervision of the property manager. Construction will pay for the cost of the Maintenance Technician until they leave the site at which time the property will pay for the cost of this employee.

Section 4.7 Grass Watering

A. The maintenance technician is expected to water the grass after being trained by construction on how to complete this task. It should be understood that thousands of dollars of sod and seed is spread at each new complex and if these areas are not watered thoroughly each day for the first few months of any project, this grass will die and this investment wasted.

Section 4.8 Insurance

A. During the construction period, our company has builders risk insurance. After buildings are completed, they can be converted to permanent building insurance which is less costly. This should occur when the last apartment building CO is received for the last building (if it is below 70 units) or after sections of the property are completed (sections should be between 50-70 units). For example, a 150 unit complex should be separated into three sections with 50 units each and the insurance converted to permanent after each 50 unit section is completed. The property will then have a combination of builder’s risk and permanent insurance until it is totally
B. converted over to permanent insurance. There is no weakening in our coverage by switching the insurance over to permanent according to our insurance agent.

The Regional Supervisor is responsible to convert the insurance to builders risk as stated above. The Compliance Supervisor can help this process through assistance with required paperwork.

Section 4.9 Lease Up Completion and The Debt Coverage Test (DCR)

A. The ultimate goal of the lease up is to stabilize the property, which means it is able to sustain itself and pay its expenses on its own. Generally, stabilization occurs at 90% occupancy and when budgeted revenue is received. When stabilization is reached, the debt coverage test period begins which usually last 3 months (although every test is different and every manager should check and understand the specific DCR test for his or her property). The DCR test usually requires the following for three consecutive months of the test:
1. The property must maintain an occupancy level of 90% or better.
2. The property must cash flow to meet the 1.15 debt coverage ratio. This generally means the property must pay all expenses and have enough cash flow (or profit) to have an additional 15% of cash flow over and above the mortgage expenses. Managers can consult their budgets to understand what revenue and expense assumptions must be met as their budgets should be based upon these assumptions to meet the DCR test.